

Message Text

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E.O. 11652: N/A

TAGS: ETRD, EAGR, YO

SUBJECT: FEC MEMBER SMOLE CALLS FOR RESHAPING OF
RELATIONS WITH SIC COUNTRIES

1. SUMMARY: CABINET MEMBER SMOLE HAS EXPRESSED SERIOUS CONCERN ABOUT DETERIORATING YUGOSLAV TRADE BALANCE WITH EEC COUNTRIES AND GROWING EEC RESTRICTIVENESS, AND HAS CALLED FOR REMOVAL OF OBSTACLES AND NEW LONG-TERM RELATIONSHIPS, INCLUDING JOINT INVESTMENT IN YUGOSLAV AGRICULTURE, TOURISM AND BASIC MATERIALS. END SUMMARY

2. IN SEPARATE INTERVIEWS PUBLISHED IN BELGRADE DAILIES BORBA AND POLITIKA, JANKO SMOLE, FEC MEMBER RESPONSIBLE FOR RELATIONS WITH WESTERN EUROPE-BASED ECONOMIC ORGANIZATIONS, HAS EXPRESSED SERIOUS CONCERN ABOUT SHARP INCREASE IN YUGOSLAV TRADE DEFICIT WITH EEC COUNTRIES THIS YEAR. YUGOSLAV EXPORTS OVER FIRST TEN
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MONTHS TOTALLED 893 MILLION DOLLARS, ONLY 7 PERCENT

MORE THAN IN SAME PERIOD OF 1973, SMOLE REPORTED, WHILE IMPORTS FROM THE NINE WERE 2.44 BILLION DOLLARS, UP 58 PERCENT. DEFICIT MORE THAN DOUBLED, FROM 712 MILLION FLGSRS TO 1.54 BILLION DOLLARS.

3. COST OF EEC BAN ON YUGOSLAV BEEF EXPORTS ALONE ALREADY EXCEEDS 100 MILLION DOLLARS, SMOLE STATED, AND HE EXPRESSED CONSIDERABLE UNCERTAINTY WHETHER HOPED-FOR RESUMPTION OF SHIPMENTS IN FIRST QUARTER 1975 WOULD MATERIALIZE.

4. FURTHER AGGRAVATION IN SITUATION IN EEC INTRODUCTION OF SEPARATE PREFERENCE CLASSIFICATIONS FOR "MORE DEVELOPED LDC'S" AND "LESS DEVELOPED LDC'S," WITH YUGOSLAVIA RANKED AMONG FORMER AND THUS SUBJECT TO RESTRICTIONS ON BENEFITS. NEW CLASSIFICATION IS SUBJECTIVE AND ONE-SIDED, SMOLE CHARGED, AND YUGOSLAVIA CANNOT AGREE WITH IT.

5. SMOLE STRONGLY URGED REMOVAL OF OBSTACLES TO YUGOSLAV EXPORT, AND CALLED FOR DEVELOPMENT OF LONGER-TERM RELATIONSHIPS IN ORDER TO RESOLVE STRUCTURAL IMBALANCES IN EEC-YUGOSLAV TRADE.

6. HE PROPOSED EEC COUNTRIES MAKE AVAILABLE LONG-TERM CREDITS AND INVESTMENT CAPITAL IN RETURN FOR YUGOSLAV COMMITMENT TO SUPPLY VARIOUS GOODS AND SERVICES ON LONG-TERM BASIS. PARTICULARLY PROMISING AREAS, HE SAID, ARE AGRICULTURAL PRODUCTS SUCH AS SOYBEANS AND OTHER TYPES OF FODDER, RAW MATERIALS, ELECTRICITY, AND TOURIST COMPLEXES INCLUDING HOTELS, ROADS AND WATER SUPPLY SYSTEMS. HE ALSO REITERATED CALL FOR JOINT PROJECTS IN LESS DEVELOPED COUNTRIES.

7. COMMENT: FIGURES CITED BY SMOLE INDICATE OVER HALF OF DETERIORATION IN 1974 OVERALL YUGOSLAV BALANCE OF PAYMENTS (CURRENT ACCOUNT) IS ATTRIBUTABLE TO WORSENER BALANCE ON TRANSACTIONS WITH NINE EEC COUNTRIES--EVEN IF MODERATE IMPROVEMENT IN INVISIBLES BALANCE IS TAKEN INTO ACCOUNT. FIGURES LEND URGENCY TO YUGOSLAV EFFORTS LIMITED OFFICIAL USE

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TO BRING ABOUT REVIEW OF EEC POSITION, INCLUDING REPRESENTATIONS BY FOREIGN SECRETARY MINIC AT BRUSSELS IN LATE NOVEMBER AND CONVENING OF MIXED COMMISSION IN JANUARY. TRADE IMBALANCE IS GREATER THAN YUGOSLAVIA CAN AFFORD OVER LONGER-TERM, AND IMPORT RESTRICTIONS IN ADDITION TO MILD ONES ADOPTED LAST AUGUST ARE POSSIBILITY. LONG-TERM ARRANGEMENTS OF KIND FAVORED BY SMOLE ARE DEVELOPING ONLY SLOWLY--IN PART BECAUSE

OF NEED FOR CLAIFICATIONS AND IMPROVEMENTS IN YUGOSLAV
JOINT VENTURE LAW.
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